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C O N F I D E N T I A L SECTION 01 OF 04 KATHMANDU 001099

SIPDIS

STATE FOR SA/INS  
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E.O. 12958: DECL: 06/12/2013

TAGS: [PTER](#) [PGOV](#) [NE](#)

SUBJECT: NEPAL: MAOIST TRAINING, RECRUITMENT, EXTORTION  
PERSIST DESPITE CEASEFIRE

REF: A. KATHMANDU 0902  
[B](#). KATHMANDU 0860  
[C](#). KATHMANDU 1097

Classified By: CDA ROBERT. K. BOGGS. REASON: 1.5 (B,D).

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SUMMARY  
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[1](#)1. (C) The ceasefire between the Government of Nepal (GON) and Maoist insurgents, declared on January 29, enters its fourth month amid evidence that the Maoists continue to train, recruit/conscript, and extort money from the local population. Violations of the code of conduct persist, with the number of killings so far (15) topping the tally during the 2001 ceasefire. Relaxed restrictions during the ceasefire have allowed the Maoists to increase their presence in areas where they were less active and to continue to intimidate the population in areas not under sustained GON control. In some areas, the Maoists continue to prohibit the GON from re-establishing a presence and/or providing services. Meanwhile, there is a sense of drift in the peace process. Two rounds of talks have made little headway, and with the June 4 change in government, built little confidence toward a lasting peace. Despite the Maoists' ongoing recruitment, training and "fund-raising," conventional wisdom holds that the insurgents will not break the ceasefire, especially so near the onset of monsoon weather. End summary.

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FOUR MONTHS AND COUNTING  
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[1](#)2. (C) The ceasefire between the Government of Nepal (GON) and Maoist insurgents, declared on January 29, already has surpassed the longevity of the 2001 ceasefire (July 23-November 26) and offers no signs of impending breakdown. Thus far the current ceasefire has seen two rounds of dialogue (three rounds were held in the 2001 ceasefire), two prime ministers, and with the June 12 appointments of Ministers Kamal Thapa and Prakash Lohani as negotiators (Ref C), two different GON talk teams. The two negotiating sessions have made little apparent progress so far toward lasting peace, and seem to have accomplished even less to build confidence between the two sides--especially after the GON's very public and clumsy backpedaling on alleged commitments to release prominent Maoist detainees and limit patrolling by the Royal Nepal Army (RNA) (Ref A). No date has yet been set for a third round of talks.

[1](#)3. (SBU) Reports of violations of the ceasefire's code of conduct continue. According to the Informal Sector Service Center (INSEC), a local human rights NGO, 15 people have been killed since January 29, of which 6 were killed by GON security forces and 9 by the Maoists. (This compares with 7 people--all victims of the Maoists--killed in the 2001 ceasefire.) The Royal Nepal Army (RNA) has reported two clashes with armed Maoist cadres since the ceasefire, in which soldiers killed one Maoist in Ramechhap on June 3 and one in Okhaldunga on April 24. INSEC also reports that 162 people have been abducted by the Maoists since the beginning of the ceasefire; 102 remain missing. According to Rabi Kanta Aryal, Assistant Inspector General of Police at the National Police Headquarters' Operations Center, many of those abducted were alleged to be GON "informers" or tagged with having committed social crimes by local Maoist vigilantes. (One police constable in Banke District, for example, was kidnapped for having taken a second wife). Others may have been "recruited" for service in Maoist training camps.

[1](#)4. (C) But if disappearances and killings have declined during the ceasefire, extortion continues apace. The Maoists, according to Central Bank estimates, had netted a total of nearly USD 6 million from assorted bank robberies across the country before the ceasefire. They have been forced since January 29 to rely upon alternative methods of fundraising--primarily extortion. Although the Maoists publicly claim that all such donations are willingly given by an enthusiastic public, sources contacted report that threats

of "negative consequences" generally accompany the demands for funds. Large and small businessmen, civil servants, teachers, and even local villagers are reportedly being pressed for "donations" to help defray the upkeep of Maoist cadres in the field. Poor rural residents in outlying areas not under GON control are "asked" to provide food and/or shelter. Those who attempt to resist the extortion demands (whether out of principle or sheer economic exigency) are sometimes beaten or abducted. Even the prestigious Soaltee Corporation (in which King Gyanendra is a partner) reportedly has been contacted for contributions. According to N.N. Singh (protect), Country Manager for Coca-Cola and long-time target of such demands, his Maoist contacts explain that observing the ceasefire has cut off their more traditional sources of income--like robbing banks--and that they thus are forced to press the local population for resources. When Singh pointed out that such activities contradict the Maoist negotiators' public commitments to cease extortion, his contact reportedly replied that he takes his instructions on "fund-raising" from Maoist negotiator and Central Committee member Krishna Bahadur Mahara. (Note: Despite the Maoists' repeated importunings and implied threats of "consequences," Singh continues to resist their demands. End note.)

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CONSOLIDATING PRESENCE,  
SPREADING MESSAGE  
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15. (C) Most sources contacted, including those working in government, NGOs, political parties, and the police, note that relaxed restrictions during the ceasefire have allowed the Maoists to tighten their hold in many of the areas not under GON control while permitting them to establish or increase their presence in areas, like the southern Terai plains, the East, and urban centers like Kathmandu where they were not previously as active. AIGP Aryal expressed alarm at what he described as the spread of Maoists in the Terai, which heretofore had been comparatively less affected by the insurgency. Subodh Pyakurel, General Secretary of INSEC, reports that since the ceasefire the Maoists have banned members of his organization from entering certain areas to perform human rights monitoring. No such restrictions were placed on INSEC, which maintains local offices in all 75 districts, during the previous ceasefire or even during the state of emergency, Pyakurel observed. He speculated that the Maoists, who have reportedly reactivated the "people's courts" that mete out summary "justice" to local miscreants, do not want INSEC monitoring their vigilantism or reporting their extortion campaigns. He said that he has publicly challenged the Maoist leadership to commit to international human rights accords, but has received no reply. Political party leaders also report that in numerous areas the Maoists continue to prohibit their workers from carrying out party activities or holding meetings. Similar restrictions have not, however, been imposed on the insurgents, they complain, who, now that their leaders are "above ground," have been exploiting their new-found freedom to spread their political message.

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OBSTRUCTING GOVERNMENT WORK  
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16. (C) In many areas, the Maoists continue to prohibit GON civil servants from carrying out their assigned duties as well. Ganga Datta Awasthi, Joint Secretary at the Ministry of Local Development, cited the mid-western districts of Kalikot, Achham, Rukum, Rolpa, and Jajarkot, as well as parts of the far-western district of Bardiya, as the worst affected. In Rukum, Rolpa, and Jajarkot, the GON presence is limited to district headquarters (although Maoist "people's governments" in some parts of Jajarkot have cooperated with GON health workers to provide some limited services). In Kalikot, local Maoist commanders in 17 of the 30 Village Development Committees (the VDC is the smallest unit of local government) have flatly barred any GON presence, including from the only health posts available to the local population. In Achham, civil servants are not allowed to enter three-fourths of the VDCs in the district. In Bardiya, nearly one-third of the VDCs are off-limits to the GON. (Note: Along the Rajapur delta in Bardiya, the Maoists also have hung posters banning any USG-funded NGO activity as well. End note.) In Kavre--the district directly adjoining Kathmandu--the anti-GON ban extends to about 20 percent of the VDCs. In Salyan, however, GON services are apparently permitted on a selective basis, with health officers being granted access and mobility but VDC Secretaries being told to keep out. Despite these restrictions, the overall situation has improved markedly, said Awasthi, adding that the degree of cooperation largely depends on the individual Maoist commander in a particular area.

17. (C) Even in those VDCs where civil servants have been permitted to return, most do not stay overnight, Awasthi said, both out of fear of possible Maoist violence and

because the GON has not rebuilt any of the facilities destroyed during the conflict. (Note: The Maoists have destroyed about 40 percent of VDC buildings across the nation. The GON so far has not rebuilt any. End note.) He said that about half of the nation's nearly 4,000 VDCs have not requested the release of their annual budget primarily because Maoist restrictions inhibit the development activities those funds are meant to support. Awasthi said he finds it difficult to blame VDC Secretaries who do not stay at their posts out of fear, observing that families of policemen killed by the Maoists receive approximately USD 10,000 in compensation, while VDC officials' families receive nothing.

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DIALOGUE DELAYED IS DIALOGUE CONTINUED?  
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18. (C) Despite having held two rounds of talks, neither the GON nor the Maoists can point to appreciable gains as a result. According to the ICRC, the GON has released as many as 1,300 Maoist detainees since the beginning of the ceasefire. Approximately 600-700 remain in custody. The GON continues to arrest some Maoist suspects, most of whom are held on weapons violations, rather than under the anti-terrorism measures invoked before the ceasefire. Although some prominent Maoist detainees have been released, several, including Rabindra Shrestha, whose release reportedly was promised during the second round, remain in custody (Ref B). The RNA's flat refusal to restrict its movements to a 5-km radius around barracks--after Maoist negotiators publicly announced the GON had committed to do so during the second round--was another perceived setback to the insurgents' prestige. The June 4 change in government--and thus in the composition of the GON negotiating team--has muddied prospects for progress in the peace talks still further.

19. (C) Some GON sources claim the signal lack of progress as a victory. According to Nischal Nath Pandey of the GON's Institute of Foreign Affairs, the government has consistently employed a strategy of delaying progress and drawing out dialogue for as long as possible, reasoning that a combination of inclement weather, popular aversion to resumed conflict, and overall inertia will keep the Maoists off the battle field. Other sources, including politicians, NGO activists, businessmen, and members of the security forces, express a similar sang-froid that the Maoists, despite their ever-bellacose rhetoric, are not contemplating a return to fighting. According to this rather sanguine analysis, tighter Indian control of the border and the perceived threat posed by foreign, including US, security assistance have forced the Maoist leadership to seek "a soft landing" back into the political mainstream.

110. (C) Brig. Gen. Dilip Rayamajhi, Director of Military Intelligence, told poloff that he shares some of this optimism. The Maoists have to continue training and "fundraising" to keep their cadres in the field employed, he reasoned; their activism need not presage a return to the battlefield. The RNA assesses that the Maoists have lost 50 percent of their cadres, he said, basing his analysis on an informal estimate that about half of the Maoist cadres who have returned home since the ceasefire will be unwilling to take up arms again. (Note: Given Maoist "recruitment" and conscription methods, we question this estimate. See reporting in other channels that may belie his assumptions. End note.) Even though the Maoists are continuing to train, their resources are severely limited, he asserted, both because of dwindling funds and because of stricter Indian border controls. He pointed to reports that the Maoists had begun using wooden bullets while training as evidence of their straitened circumstances.

COMMENT  
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111. (C) The ceasefire, despite the higher number of casualties and violations than its 2001 predecessor, has given this battle-weary nation a welcome respite. This respite should not, however, lull either the GON, the general public, or the diplomatic community into a complacency that overlooks the Maoists' obvious activism. Despite the break in hostilities, the Maoists continue to keep large parts of the country off limits to the civilian GON, thereby undercutting its ability to provide services to disaffected segments of the population. The GON's stalling tactics on the dialogue front, aggravated by the June 4 change in government, may begin to wear thin with the Maoists, who likely are anxious to demonstrate some measure of progress and success to their presumably restive cadres. The recent uptick in the Maoists' anti-American rhetoric may reflect some of that frustration. Unfortunately, the new Prime Minister's protracted deliberations in choosing a Cabinet will likely delay dialogue still more, further diminishing immediate prospects for a negotiated settlement.

